

SINGLE FAMILY ADR DOWN PAYMENT ASSISTANCE PROGRAM – “ADR-DPA”

Effective Date: 9-12-05

Replaces Issue of: 2-1-05

Product Name: ADR-DPA

SUMMARY:

This is a down payment assistance program for use by eligible purchasers of properties owned by Grantees who participate in the MSHDA Community Development Acquisition/Development/Resale (ADR) Program. The ADR Program is where the Grantee (typically a nonprofit agency) purchases real estate, completes rehabilitation or new construction and sells to an income-eligible owner-occupant. The following criteria will apply:

- The ADR Program, which is funded from HOME dollars, can be combined with a MSHDA/FHA, MSHDA/Conventional or MSHDA/RD Guaranteed first mortgage.
- The ADR-DPA is a MSHDA second mortgage (homebuyer subsidy) for a maximum amount of \$30,000 (statewide) toward down payment, borrower paid closing costs and prepaids/escrows.
- The borrower(s) must have a minimum cash investment of 1% of the sales price.
- The borrower must invest all funds gifted towards their purchase and any liquid cash assets in excess of \$10,000 before receiving DPA in excess of \$1,000 (i.e. liquid assets in excess of \$10,000 must be invested in the transaction to “buy down” the required DPA).
- The borrower’s income must not exceed 80% of the area median income, adjusted for family size, except where lower by state law.
- The sales price limits are available on-line at:
http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf
- The ADR-DPA second mortgage is a 0% non-amortizing loan and is due on sale, refinance or transfer of the property.

NOTE: A different note and mortgage is used for this DPA Program. Do NOT use the mortgage and note for the SF-DPA Program as it will make the loan ineligible for purchase. See Page 5 for correct forms to use.

**EFFECTIVE
DATE:**

This ADR-DPA Program is effective for all loan reservations dated April 30, 2004 or after.

LOAN PURPOSE: To provide a homebuyer subsidy for purchasers who are low and moderate-income households of MSHDA Grantee owned properties. The ADR-DPA funds will be used for the payment of the down payment, borrower paid closing costs and prepaid expenses, less a 1% minimum cash investment from the borrower.

LOAN TERMS: The ADR-DPA second mortgage, "Homebuyer Assistance Program Mortgage", SFH 022 Mortgage (ADR-DPA) (1-05), will be a 0%, non-amortizing loan. This second mortgage will be due and payable at the earliest of the following events: 1) sale or transfer of the property, 2) when property ceases to be the principal residence of the mortgagor or 3) 50 years from the date of the 2nd mortgage. With one of the above events the Mortgagor shall pay to MSHDA an amount equal to the lesser of (a) the original principal balance of the ADR-DPA Note, OR (b) the net proceeds of the sale.

ELIGIBLE BORROWERS: All borrowers, regardless of family size, whose household income does not exceed 80% of the area median income, adjusted for family size, except where lower by state law. Current income limits are available at:

http://www.michigan.gov/mshda/0,1607,7-141-5485_5486-65255--,00.html

ELIGIBLE PROPERTIES: A new 1-family home OR rehabilitated 1-family home

ELIGIBLE LOAN PROGRAMS: The ADR-DPA can only be combined with a MSHDA/Conventional, MSHDA/RD Guaranteed first mortgage or MSHDA/FHA first mortgage.

SALES PRICE LIMITS: Current sales price limits are available at:
http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf

INCOME LIMITS: The maximum income limits are 80% of Area Median Income, adjusted for family size, except where lower by state law. Current income limits are available at:

http://www.michigan.gov/mshda/0,1607,7-141-5485_5486-65255--,00.html

OCCUPANCY REQUIREMENTS: Borrower(s) must occupy the property within 60 days of closing.

ASSUMABILITY: The ADR-DPA second mortgage is not assumable. This second mortgage will be due and payable at the earliest of the following events: 1) sale or transfer of the property, 2) when property ceases to be the principal residence of the mortgagor or 3) 50 years from the date of the 2nd mortgage. With one of the above events the Mortgagor shall pay to MSHDA an amount equal to the lesser of (a) the original principal balance of the ADR-DPA Note, OR (b) the net proceeds of the sale.

LOAN TERM: Maximum of 50 years

PREPAYMENT PROVISION: The mortgagor shall have the right to prepay the principal amount outstanding in whole or in part. Any partial prepayment shall be applied against the principal amount outstanding and shall not extend or postpone the due date of any subsequent payments unless MSHDA shall otherwise agree in writing.

MINIMUM LOAN AMOUNT: \$1,000

MAXIMUM LOAN AMOUNT: The maximum down payment assistance loan amount is \$30,000.

MINIMUM CASH INVESTMENT: A minimum cash investment of 1% of the sales price is required from the borrower.

MAXIMUM CASH ASSET LIMIT: The borrower must invest all funds gifted towards their purchase and any liquid cash assets in excess of \$10,000 before receiving DPA in excess of \$1,000 (i.e. liquid assets in excess of \$10,000 must be invested in the transaction to “buy down” the required DPA).

Example 1: Liquid assets in excess of \$10,000 are greater than Homebuyer Subsidy required.

Before considering her liquid assets, Mary needs \$6,000 in Homebuyer Subsidy to complete the purchase. She has liquid assets of \$18,000. Mary must apply \$5,000 of the excess liquid assets to the purchase of her home and will only receive a Homebuyer Subsidy of \$1,000. She is not required to invest all of the excess (\$8,000) - to “buy down” the size of her first mortgage; however, she can contribute more if she so chooses.

Example 2: Liquid assets in excess of \$10,000 are less than Homebuyer Subsidy required.

Before considering their liquid assets, the Smith family needs \$23,000 in Homebuyer Subsidy to complete the purchase. They have liquid assets of \$15,000. The Smiths will need to apply \$5,000 of their excess liquid assets toward the purchase and will receive a Homebuyer Subsidy of \$18,000. The family could choose to invest more than \$5,000 into the purchase to further reduce the size of their Homebuyer Subsidy but are not required to do so.

RENT CREDIT: No rent credits are permitted.

**WORK EQUITY/
SWEAT EQUITY:** No work equity or sweat equity is permitted.

**BUYING DOWN
LOAN RATIOS:** The staff of MSHDA Community Development will determine the amount of the ADR-DPA and whether additional funds are needed for affordability.

**HOMEBUYER
EDUCATION:** Completion of homebuyer education is required on or before loan commitment. A certificate of completion is required and must be signed by a certified counselor who is a member of the Michigan Homeownership Counseling Network.

**COSTS
INCLUDED
IN DPA:** The lender may include a maximum of 1% Loan Origination Fee in the amount of the down payment assistance. The lender may also include typical and customary third party closing costs paid by the buyer and permitted by the applicable loan program. In addition, prepaid/escrow expenses paid by the buyer may also be included as well as the minimum down payment required of the applicable loan program. No “junk” fees are permitted.

NOTE: The borrower must have a minimum investment of 1% of the sales price.

**COSTS NOT
INCLUDED
IN DPA:** None of the following items can be included in the amount of the down payment assistance funds: 1) property repairs, 2) delinquent credit obligations, 3) more than 2 months of private mortgage insurance premiums on a conventional loan or more than 2 months of mortgage insurance premiums on a FHA loan, 4) the Upfront Mortgage Insurance Premium for a FHA loan and 5) “junk” fees.

CASH BACK

AT CLOSING: No cash back at closing is permitted. Any items paid outside of closing (POCs) **may not** be refunded to the borrower.

CALCULATING

AMOUNT OF DPA: The amount of down payment assistance (DPA) will be determined by the seller (nonprofit or governmental entity) with the approval of the MSHDA Office of Community Development.

ADDITIONAL

LIENS: No liens other than the MSHDA Single Family 1st mortgage and ADR-DPA 2nd mortgage will be permitted without prior approval by the Office of Single Family.

DOCUMENTATION REQUIREMENTS:

APPLICATION

DOCUMENTS:

- a) A copy of the following form, signed by the Grantee, must accompany **ALL** loan submission packages:
 - SFH 023 Federal and State Compliance Certification (4/29/04). A copy is attached.
- b) Refer to “Loan Submission Checklist”, SFH 134, for the balance of the MSHDA required documents.

CLOSING

DOCUMENTS:

The most current version of all mortgage documents forms must be used.

2ND MORTGAGE: “Homebuyer Assistance Program Mortgage”
SFH 022 Mortgage (ADR-DPA) (1-05)

2ND MORTGAGE

NOTE: “Homebuyer Assistance Program Mortgage Note”
SFH 021 Mortgage Note (ADR-DPA) (1-05)

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT
FEDERAL and STATE COMPLIANCE CERTIFICATION**

Homebuyer Name _____

Project/Property Address _____

Grantee _____

Grant Number _____

Project is funded with (Check one):

OCD MSHDA funds _____ **OCD HOME funds** _____

For HOME funded projects enter Project Activity Number _____

With respect to the above-referenced OCD funded project, I certify that all housing activities have been implemented in accordance with all applicable federal, state, and local statutes and regulations and MSHDA's Office of Community Development's Policy Bulletins. If HOME funded, the project is in compliance with;

- 1) 24 CFR 92.350 pertaining to equal opportunity and fair housing
- 2) 24 CFR 92.351 pertaining to affirmative marketing
- 3) 24 CFR 92.353 pertaining to displacement, relocation and acquisition
- 4) 24 CFR 92.355 pertaining to the testing for and remediation of lead-based paint hazards in HUD (MSHDA)-associated housing
- 5) 24 CFR 92.356 pertaining to conflict of interest
- 6) 24 CFR 92.358 pertaining to flood insurance.
- 7) 24 CFR 92.251 which requires that the housing quality standards for units assisted with program funds must, at a minimum, meet housing quality standards

Authorized Grantee Signatory (print name) _____

Title _____

Date _____ **Signature** _____

ADR-DPA LOAN PROGRAM PROCESS MAP

